

BRIDGING SECTOR HITS £6BN



GROSS BRIDGING LENDING INCREASES



BRIDGING SECTOR BREAKS £6BN

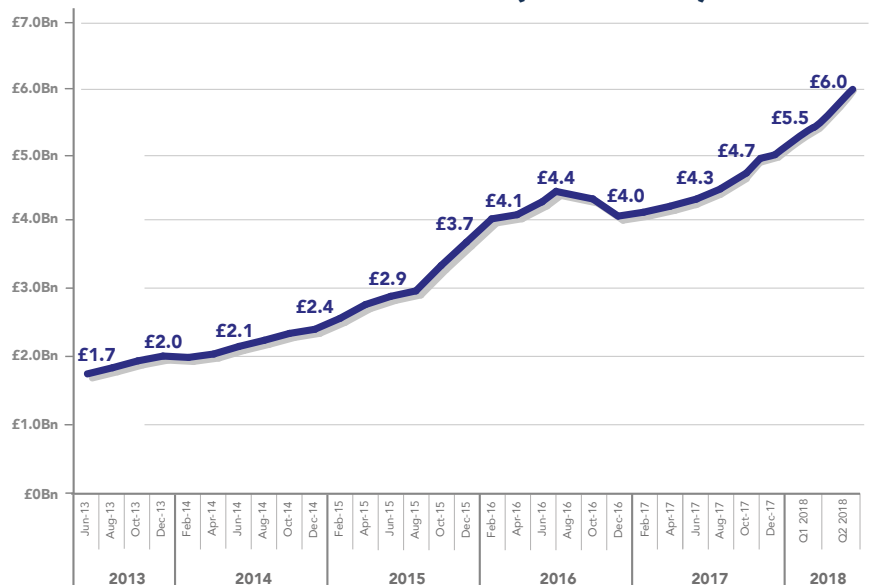
- GROSS ANNUALISED BRIDGING LENDING REACHED £6.0BN BY THE END OF Q2 2018
- PERFORMANCE INDICATES MORE BORROWERS AND INVESTORS ARE LOOKING TOWARDS ALTERNATIVE SHORT-TERM FUNDING PRODUCTS
- HIGH VOLUME OF SUB-£800K TRANSACTIONS CONTINUE AS INVESTORS LOOK OUTSIDE PRIME LONDON AND SOUTH EAST FOR RETURNS

This edition of the [West One Bridging Index](#) shows gross annual bridging lending hit **£6bn** by the end of Q2 2018.

The UK's bridging sector continued its solid growth trajectory in the second quarter of 2018, according to findings from West One's Bridging Index. The latest edition of the quarterly report is the seventh consecutive edition to show growth in the market, revealing that gross annualised lending increased to **£6.1bn** in June - up from **£4.3bn** at the end of **June 2017**.

The findings from this version of the Bridging Index consolidate the position the bridging sector has established in the market as a critical source of funding, in spite of the ongoing uncertainty surrounding the UK's exit from the European Union. The latest figures from the Association of Short Term Lenders (ASTL) reveal that gross lending from all its members hit **£964m in June** – a slight fall from March's which exceeded **£1bn**, but the third largest quarter by volume on record.

GROSS BRIDGING LENDING (£ BILLIONS)



TRENDS IN THE BRIDGING MARKET

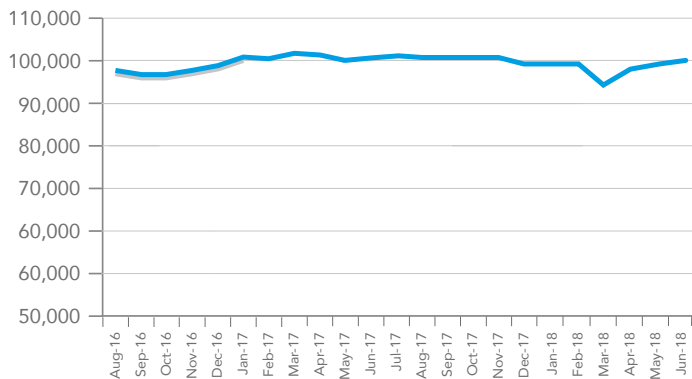
The size of the typical loan has grown in 2018 to hit **£750k** at the end of Q2 - but has stayed **below £800k** for the past year - and is still short of the highs of Q1 2017 where loans averaged approximately **£1m**. This, as has been the recent trend for several months, demonstrates that market growth is fueled by volume rather than value.

Prime London and the south east generally continues to be relatively unattractive from a yield perspective, and with **fewer £1m** plus properties outside of this region, property professionals have continued to look elsewhere for opportunities, for both yield and capital appreciation.

WIDER PROPERTY MARKET ANALYSIS

The continued strong performance of the bridging sector stands at odds with the wider property market. With sellers unsure of the impact of leaving the EU, prices have remained flat and transaction volumes have shrunk. Systemic issues remain in the housing market with the construction sector unable to keep up with demand for new property. This is despite more relaxed planning permissions [1] and UK housebuilders found not to be 'land banking' by the Letwin Review. [2]

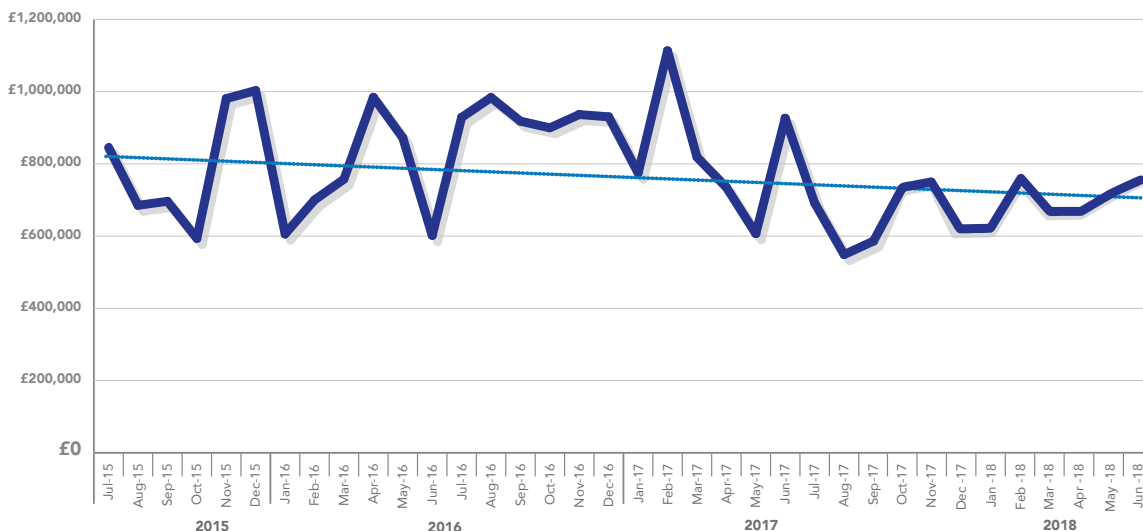
HMRC SEASONALLY-ADJUSTED RESIDENTIAL PROPERTY TRANSACTIONS



However, the Bank of England base rate remained at 0.5% for the first six months of the year, and in an environment where prices remained relatively static, an opportunity has been identified by property professionals to purchase, develop and potentially sell.

When compared to other areas in the property market, this strong performance of the bridging sector suggests that more borrowers and investors are now looking towards alternative short-term financing. This is borne out from the findings in the Bridging Index, ASTL data and our own Management Information, which shows transaction numbers growing.

AVERAGE BRIDGING LOAN SIZE



MARIE GRUNDY, SALES DIRECTOR OF WEST ONE LOANS, COMMENTS:

“

This year has seen the bridging sector come of age. The market has yet again demonstrated there is strong demand for short-term lending solutions and is testament to the quality of loans and the resilience of this sector, set against a backdrop of what can only be described as uncertain economic times.

Growth may have slightly fallen compared to the first quarter, but the trajectory for the sector as a whole is clear. At West One Loans, there has been a steady rise in demand for our bridging range over the course of the last two years, and we believe this is due to more and more property professionals turning to alternative forms of finance, as a result of political and economic uncertainty negatively affecting appetite from High Street lenders.

In a market where property transactions have been falling, or flat at best, the rise in bridging volumes underlines the pivotal role the providers of bridging loans have to play in the market.”

1 <https://www.telegraph.co.uk/news/2018/08/19/government-200m-brownfields-building-fund-falls-flat-number/>

2 <https://www.propertyweek.com/resi/letwin-finds-no-evidence-of-land-banking-by-developers/5097359.article>

BRIDGING INTEREST RATES

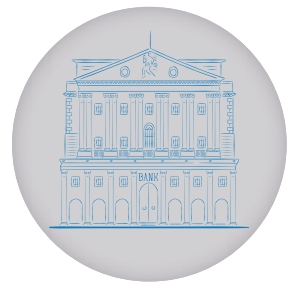
Average interest rates finished Q2 at **0.97%**, having sat at around the **1%** mark for the past 15 months. Strong competition in the sector has created excellent value for customers, where average rates have remained **below 1.2% for the last three years**. As this low-rate environment continues, we anticipate more and more borrowers will continue to look at alternative financing options in the future which has been evidenced by the lending volumes. Providers who can deliver excellent customer service, coupled with competitive rates will thrive in what is becoming a growth segment of the loan market.



INTEREST RATE
0.97%

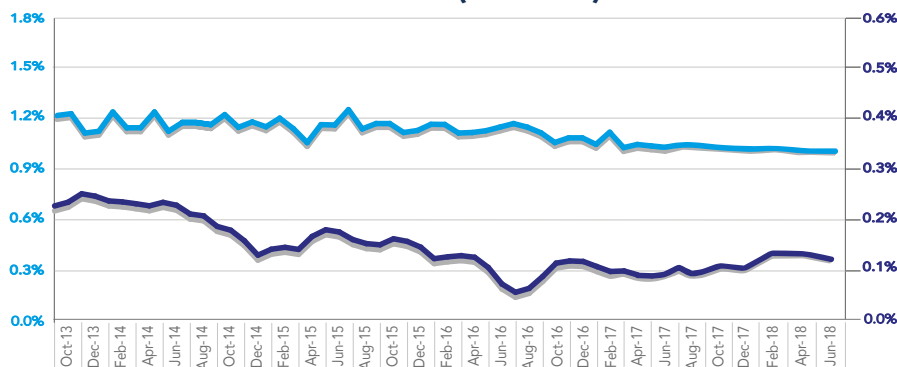
DANNY WATERS, CHIEF EXECUTIVE OF ENRA GROUP CONCLUDES:

“The sector continues to go from strength to strength. In a stagnant property market, property professionals have sought alternative finance to keep projects on track and help clear some of the bottlenecks. It will be interesting to see the effects of the recent base rate rise, and flexibility will remain critical for the industry as we remain in a state of economic uncertainty ahead of next March’s exit from the EU.”

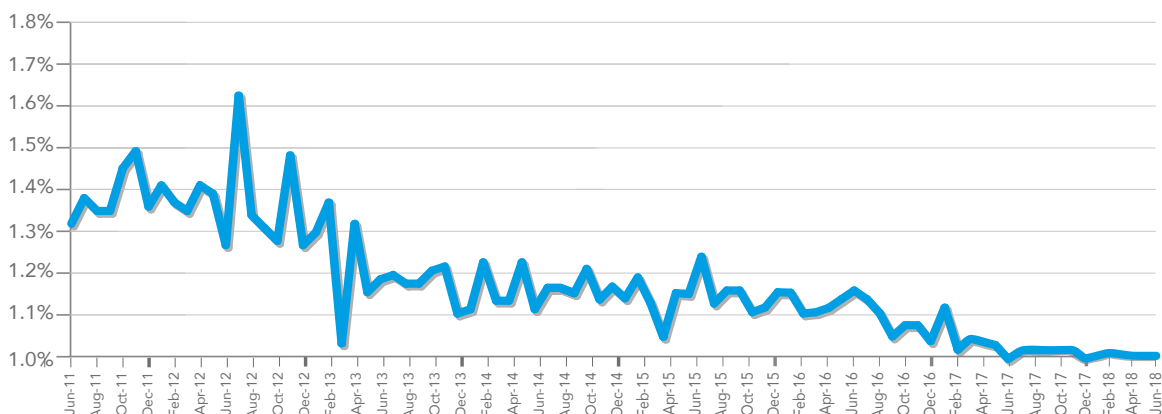


GILT YIELDS AT
0.12%

INTEREST RATE (MONTHLY) VS 10 YEAR ZERO COUPON GILT YIELD (MONTHLY)



INTEREST RATE (MONTHLY)



1 <https://www.telegraph.co.uk/news/2018/08/19/government-200m-brownfields-building-fund-falls-flat-number/>

2 <https://www.propertyweek.com/resi/letwin-finds-no-evidence-of-land-banking-by-developers/5097359.article>

ABOUT BRIDGING INDEX METHODOLOGY

West One Loans analyses detailed data based on their own Management Information and industry sources to create the index. In some cases, where stated, three-month moving averages are employed to help reveal trends more clearly.

In May 2013, the West One Loans Bridging Index was recognised by [Wikipedia](#) as a key measurement tool of the UK Bridging industry.

The commentary provided in this piece are opinions only and should not be depended on as financial advice.

ABOUT WEST ONE LOANS

West One Loans is a specialist provider of short-term bridging finance for residential and commercial properties. Established in 2007, the group is now one of the biggest privately funded short-term secured lenders in the UK, having completed deals in excess of £2.5bn to date.

In 2017, West One Loans diversified into a wider range of specialist lending, with the launch of longer-term second charge mortgage lending, followed by development finance in quarter 1 2018.

West One Loan Ltd is a member of the Association of Short Term Lenders (ASTL), Partner of the Financial Intermediary and Broker Association (FIBA) and a Patron of the National Association of Commercial Finance Brokers (NACFB).

West One Loans would be grateful for any hyperlinks you could provide. For ease, we've provided these links: [West One Loans short-term loans](#) or, preferably, [bridging lender](#) which you can copy and paste directly into the articles.

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